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## ASSESSMENT OF INDICATORS OF INVESTMENT ACTIVITY FROM THE POINT OF VIEW OF STRENGTHENING ECONOMIC SECURITY

**Abstract:** This article classifies the issues of investment efficiency that will ensure the economic security of our country. The weight and importance of attracted investments for the development of the country's economy have been analyzed, scientific, practical conclusions and recommendations have been developed to ensure the country's economic security.

**Key words:** investments, modernization, investment efficiency, diversification, economic growth.

**Language:** English

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### Introduction

The role of foreign investment in accelerating the investment activity of enterprises in the economy, modernization and diversification of production, implementation of programs for technical and technological re-equipment and, ultimately, in economic growth is significant. At the same time, it will be possible to introduce technologies that combine the advanced achievements of science and technology, create new jobs, produce goods and services with high added value and, on this basis, ensure sustainable and balanced development of the country's economy.

The peculiarity of the investment policy carried out in our country is reflected in the priority of the implementation of investment projects aimed at the production of import-substituting goods and services, deep processing of local raw materials, energy conservation and the creation of new industries based on high technologies.

Our country has created favorable conditions for attracting foreign investment, which has the following relative advantages [1]:

- the presence of political and economic stability;

- creation of a regulatory framework to support entrepreneurship;
- improvement of a favorable investment climate and tax policy;
- rich mineral resources and energy independence;
- convenient geographic location;
- relatively high level of employment and education of the population;
- cheap economic resources;
- formation of a large market for the sale of goods and services;
- the presence of living quarters.

The role of investment in the social, economic and political development of the country is great. As you know, no country can develop without recognition of the achievements of the world's leading economies in the field of science and technology. Advances in science and technology are usually accompanied by foreign investment. Based on this, as we carry out profound economic reforms and structural changes in our economy, this process cannot be imagined without foreign investment.

The process of globalization of the world economy is an objective process. Joining the process of globalization means cooperation with the leading

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countries of the world, compatibility of state policy in the socio-economic and political spheres on the basis of mutual benefit. Investment activity and the growing globalization of the world economy are important for the modern world economy. This is also positively affected by the growing role of developing countries and countries with economies in transition in the international division of labor.

Based on the experience of developed countries, foreign investment plays an important role in ensuring sustainable and effective development of the country's economy. Therefore, the issue of attracting foreign investment into the economy of our country should be considered as an important factor in economic growth. It cannot be denied that there are conflicting opinions about the impact of foreign investment on the host country's economy, that is, they have both positive and negative effects[2].

Foreign investment has a number of positive consequences for the sustainable economic growth of the host country, which greatly helps to replenish the domestic funds of the country's financial sector at the expense of the missing funds. The essence of this process lies in the fact that foreign investment will cover the deficit by attracting the necessary investment funds to cover the planned government expenditures (government funds, foreign exchange reserves, replenishment of government revenues) in order to avoid interruptions in the implementation of these expenditures.

### Methodology.

It will also accelerate the country's economic development by reinvesting profits in enterprises and multinational corporations with foreign investments, that is, by channeling them into reuse activities, which will have a positive impact on economic growth through the efficient use of existing assets and meeting additional demand for financial resources.

Government has the legal, administrative and organizational means to reinvest the profits of foreign and joint ventures, as well as transnational corporations and to prevent capital outflows, which the government must constantly encourage and open the way for them to invest in productive activities. Indeed, profit in the hands of foreign investors is a ready source of additional investment for the country's economy. In this regard, as President Shavkat Mirziyoyev said, "... it is necessary to create a system of incentives for foreign investors to reinvest, and not quickly withdraw their capital".

It is also possible to increase tax revenues and increase budget revenues in the host country as a result of attracting foreign direct investment and the creation of enterprises. In our country, taxes make up more than 90% of state budget revenues, about 60% of budget revenues are channeled into the social sphere. Taxes paid on profits from the financial and economic activities of enterprises with foreign investment allow

the host country to replenish its treasury. In this regard, the President said: "... we still have a lot of work to improve the tax system to make our country more attractive for investors who intend to implement large investment projects in Uzbekistan. Most importantly, from an investor perspective, the tax system must be clear and understandable in the long run. Therefore, it is necessary to pursue a well-thought-out long-term policy in the tax system".

Foreign investment leads to an increase in labor productivity in social strata. An increase in average labor productivity is possible through the creation of companies with foreign investment. Such companies will be able to invest a high level of capital in each unit of labor, which will have a direct impact on the growth of labor productivity. At the same time, they can provide employment and eliminate unemployment. Increasing employment and raising living standards is one of the main challenges for ensuring economic growth.

Currently, there are about 5 thousand such enterprises with foreign investments in our country. Foreign investment will primarily lead to the attraction of advanced technologies. Foreign investors have the opportunity to conduct various studies to maintain their position in the market. In particular, enterprises with foreign investment are highly competitive firms that will be able to spend most of their costs on research and development, as well as on the introduction of new scientific and technological advances in production. The presence of foreign-invested enterprises stimulates competition and encourages local manufacturers to learn from and learn from foreign experience in order to win in a competitive environment. This directly affects not only the level of technology, but also the efficient use of limited resources[3].

### Analysis and results.

Attraction of foreign investments and the creation of enterprises in them will strengthen the competitive environment in the country's economy. The entry of foreign companies into domestic markets will require more efficient operation of national enterprises and strengthen the competitive environment. Foreign firms are setting an example for local businesses by rapidly integrating modern technology and new management practices into their operations and pushing them to innovate.

At present, in all countries, attracting foreign currency and increasing foreign exchange earnings, increasing the national currency rate are considered one of the most pressing issues. Foreign investment is one of the main pillars in attracting foreign currency to the country and ensuring currency stability in the country.

By attracting foreign currency to the country's economy, most countries pay great attention to increasing their export potential, because foreign

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investments can provide a large amount of foreign exchange earnings. The advantage of foreign investment over export in providing foreign exchange earnings is that it is divided by foreign exchange earnings from exports, but products in this currency equivalent are exported. By attracting foreign investment, foreign exchange or equipment and products imported into foreign exchange are introduced into the national economy. This will stimulate economic growth in the country.

As a result of a reasonable investment policy pursued in our country, sustainable economic growth is achieved. The dynamics of growth of investments in fixed assets has been observed for many years. In particular, 202 thousand billion soums of investments were attracted in 2020, which is 103.1% more than in

2019, investments in 2020 increased 1.6 times compared to 2018, 2.8 times compared from 2017, 3.9 times in 2016, in 2015 increased 4.5 times per year and 5.4 times in 2014. This positive growth trend also led to a significant increase in the share of investment in fixed assets in GDP. In particular, the share of investments in fixed assets in GDP in 2020 will amount to 34.8%, in 2019 - 38.3%, in 2018 - 30.6%, in 2017 - 23.9%, in 2016 - 21.1%, in 2015 - 21.3% [4].

In recent years, the share of foreign direct investment and loans in the structure of foreign investment in our country has been growing in comparison with the share of foreign investment and loans secured by government guarantees (Figure 1).

**Table 1. Investments in the economy of Uzbekistan**

<b>Indicators</b>	<b>2014</b>	<b>2015</b>	<b>2016</b>	<b>2017</b>	<b>2018</b>	<b>2019</b>	<b>2020</b>
Gross domestic product, billion soums	186829,5	221350,9	255421,9	317476,4	424728,7	529391,4	602551,4
Investments in fixed assets, billion soums	37646,2	44810,4	51232,0	72155,2	124231,3	195927,3	202000,1
Share of investments in fixed assets in GDP, in%	21,3	21,3	21,1	23,9	30,6	38,3	34,8
Investment in fixed assets per capita, thousand soums	1224,0	1431,7	1608,6	2227,8	3769,6	5834,6	5900,9

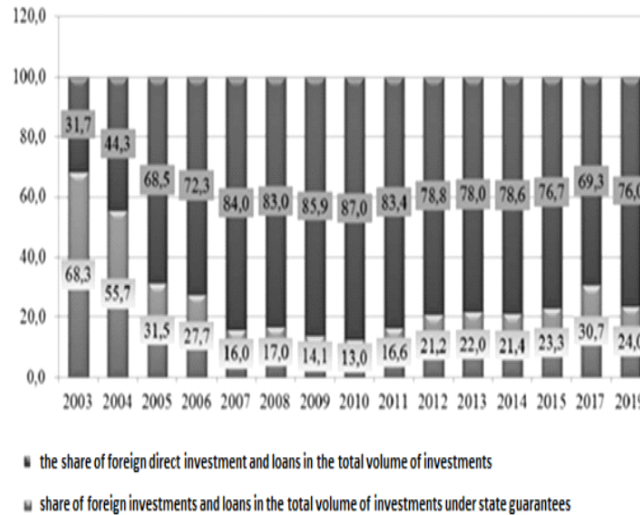
As can be seen from the figure, the share of foreign investments and loans under state guarantees in the structure of foreign investments in our country amounted to 68.3%, and by 2019 this figure will decrease to 24%. On the contrary, the share of foreign direct investment and loans in the structure of foreign investment in 2003 was 31.7%, and by 2019 this figure was 76%. This suggests that the confidence of foreign investors in our country is growing.

In world practice, the ICOR (Incremental Capital-Output Ratio) index (capital intensity of GDP

growth) is used to assess the efficiency of investments in a country. The lower the ICOR index, the higher the efficiency of using investments for the country's economic growth. Here, the importance of investments in the country's economic growth is high, each unit mastered allows you to create a product in which investments are higher than the previous level. This requires further strengthening of investment in the economy in the current situation.

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**Figure 1. The share of foreign direct investment and loans guaranteed by the state in the structure of foreign investment (percent)**

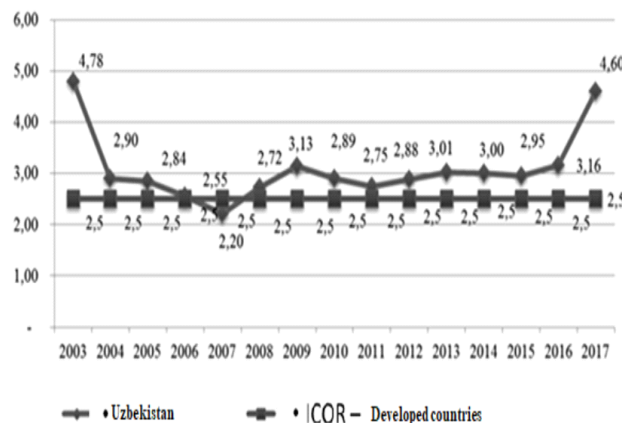
In Uzbekistan, the ICOR index was 4.78 in 2003, but in recent years this figure has been declining, increasing from 2019 to 4.6 in 2019. In industrialized countries, this figure is 2.5. As can be seen from the figure, the index in Uzbekistan in 2007 was 2.2, which is lower than the level of industrialized countries. The index has been on the rise since 2008, peaking in 2009 at 3.13. This is directly related to the global financial and economic crisis.

We can also study the ICOR (Capital Gains Ratio) index by region. If in the Republic of Karakalpakstan, Andijan, Bukhara, Kashkadarya and Syrdarya regions in 2005-2019, on the contrary, the value of this indicator will increase. This indicates the low importance of investment in the economic growth of regions (Table 2).

This means that economic growth in Andijan, Bukhara, Kashkadarya and Syrdarya regions is not coordinated with foreign investment. This is due to a

sharp increase in the share of foreign investments in the regional economy and their high concentration, mainly due to the implementation of targeted projects, which directly affects the efficiency of investment production[5].

The economic benefit from investments will be achieved due to the timely implementation of investment projects and their payback period, that is, the timely completion of construction within the time frame provided for by the business plan, the provision of the necessary modern equipment, and timely production. If the above objectives are not met in a timely manner, the ICOR index will maintain a negative high. This, in turn, indicates a low investment efficiency. Delays in the timely implementation of investment projects lead to stagnation of capital ("frozen" - that is) in order to generate income, which, in turn, becomes ineffective capital and reduces the rate of economic growth [6].



**Figure 2. Changes in the ICOR (Incremental Capital Output Ratio) index in Uzbekistan and industrialized countries, in coefficients**

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Secondly, various investments will be made in some regions and new enterprises will be created, but the products created by these enterprises will not be reflected in the region's GRP. This situation also results in a high ICOR in the region.

In his Address to the Oliy Majlis, the President of the Republic of Uzbekistan Shavkat Mirziyoyev noted that there are many problems with attracting foreign investment to our country[7].

They include:

- lack of a well-thought-out, long-term concept in the formation of investment programs;
- the implementation of agreements with foreign investments is proceeding very slowly due to the lack of a well-functioning system in the field of investment;
- lack of information about a specific project in the current investment programs;
- serious mistakes in the designation and implementation of promising large projects, ineffective use of foreign loans hinder the development of the economy, etc.

In this regard, in his Address, the President outlined the following tasks that we need to solve in order to solve these problems[8].

- reform of the foreign exchange market;
- rejection of radical measures in the implementation of tax policy;
- improving the tax system in order to make our country more attractive for investors intending to implement large investment projects in Uzbekistan;
- reduction and simplification of the tax burden for all categories of business, on this basis, the expansion of production and the tax base;
- granting the right to defer the payment of the single tax for a certain period to a newly created small and medium-sized business that builds facilities for their own needs;
- to abandon individual approaches to the provision of tax incentives and switch to the practice of applying them only to certain sectors of the economy;
- implementation of a well-thought-out long-term policy in the tax system;

- attracting investments in the real sector of the economy, introducing a completely new mechanism for the formation of projects;

- an absolute rejection of the practice of adopting hastily developed fake investment programs;

- development of long-term concepts of economic development;

- mobilization of funds accumulated in the hands of the population for the development of the economy in the form of investments, strengthening the sense of entrepreneurship in people;

- opening of the "Investment Portal" on the Internet, which will provide local and foreign investors with the necessary statistical information, information about the conditions created for doing business[9];

- creation of a system of incentives for foreign investors to reinvest their capital without taking it away earlier[10];

- increasing the activity of governors, heads of state bodies and organizations in attracting investments, cooperation with foreign investors, creating new types of industries, creating jobs[11];

- to make full use of the potential of the Ministry of Foreign Affairs to increase the attractiveness of our country in the field of investment, to facilitate wider attraction of foreign investment.

### Conclusions.

We must, first of all, create an effective system for attracting foreign loans and investments, learn how to use each loan correctly. It's time to work on this issue, cut seven scales once and think carefully about the consequences.

In this regard, it is very important to formulate a program for the innovative renewal of the state, to train a new generation of personnel, a new class of investors who will effectively use innovations and investments. This requires a strong national idea, a national program for the technological development of Uzbekistan and the modernization of the domestic market. This program should enable Uzbekistan to become one of the most developed and economically secure countries in the world.

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